

August 30, 1993

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**PORZIO BROMBERG
& NEWMAN**

RE: Remedial Cost Estimate for the
period of January through December
of 1994 for the former Hexcel site
located in Lodi, New Jersey

Dear Ms. Lichtenstein:

As requested we have prepared the following remedial cost estimate for groundwater/remedial related activities at the Lodi site. This cost estimate includes the period of January through December of 1994. Please note that NJDEPE oversight and review fees are not included in this cost estimate. For the purposes of this cost estimate, we have grouped the anticipated costs into nine major elements. Included within the estimate contained in Table 1 are the following activities:

1. Treatment System Operation Support

Included within this item are Killam Management and Operational Services (KMOS) labor and expenses associated with providing a licensed treatment plant operator to assist and oversee Essam Saleh's work. With the termination of the NJPDES-SIU Permit, the requirement for a licensed operator is no longer in effect. Therefore, the Killam licensed operator will, as needed, provide guidance and information to Essam Saleh with regard to treatment system operations, complete and sign the MR-2 forms, and attend to other treatment system issues.

2. Discharge Monitoring

The cost included within this item reflects the present PVSC and former NJPDES Permit requirements. Although the NJPDES Permit is no longer in effect, some or all of the sampling requirements of this permit may be incorporated into the PVSC Permit. Therefore, discharge sampling requirements have been projected on the basis of the NJPDES Permit. It is assumed that four PCB samples per week and two volatile samples per month will be collected. Additionally, one sample per month may be required for parameters set forth in the NJPDES Permit.

3. Waste Disposal

Included under this item are the anticipated costs for the transportation and disposal of various wastes expected to be generated. It is assumed that wastes will be disposed twice a year. The



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wastes included under this item are: sludge, LNAPL, DNAPL, filters and PPE, and activated carbon. Also included under this item are carbon replacement costs. Please note, waste disposal costs may be significantly reduced with the installation of sludge dewatering equipment. Waste disposal costs are assumed to occur in the second and fourth quarters of 1994.

4. ISRA Reports and General Project Management

Included under this item is the expected cost for preparing the monthly progress reports on site remediation activities as required by the NJDEPE as well as addressing additional requirements contained in the NJDEPE letter of May 4, 1993 and future NJDEPE requests. This item is addressed on a quarterly basis.

5. Continuous Emissions Monitors (CEMs)(Permitting, Design, & Installation)

Assuming that hydraulic control is achieved at 7,200 gpd, the issue of CEMs will be addressed. This will include the necessary permitting, design and installation of the CEMs. The cost includes renegotiating the existing air permit.

6. Construction of New Sewer Line

This item includes obtaining permits required by the Borough of Lodi, the construction/installation of the new sewer line, and engineering oversight. This item is addressed in the first quarter of 1994.

7. Operational Expenses

This item refers to the miscellaneous equipment and materials necessary to the operation and maintenance of the treatment system. This includes coagulant/polymers, bag filters, cartridge filters, personal protection equipment, tools, skimmers, repairs and other items which are necessary for the operation of the treatment system. This item is addressed on a quarterly basis.

8. Quarterly Groundwater Sampling

This cost includes the sampling of thirteen wells through 1994. Analyses include volatile organics plus a fifteen peak library scan (VO+15). This item is addressed on a quarterly basis as Killam anticipates that the NJDEPE will require quarterly sampling of at least thirteen wells throughout 1994.

9. Stack Test

The NJDEPE requires that a stack test be performed in order to determine the emissions from

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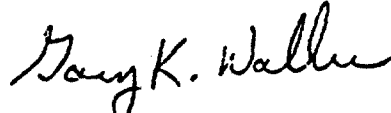
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the stack at the former Hexcel property. This item includes the stack test and analysis of the required permit parameters. This item is addressed in the first quarter of 1994.

Please understand that these cost estimates are based upon information to date and current NJDEPE requirements. If you have any questions or comments regarding these costs, please do not hesitate to contact me at (201) 912-2489.

Very truly yours,

KILLAM ASSOCIATES



Gary K. Walker
Senior Project Scientist

TABLE 1
COSTS FOR FIRST AND SECOND QUARTERS OF 1994

<u>ITEM</u>	<u>COSTS</u>	
	<u>FIRST QUARTER</u>	<u>SECOND QUARTER</u>
1. Treatment System Operation Support	\$ 6,968.00	\$ 6,968.00
2. Discharge Monitoring	\$ 13,500.00	\$ 13,500.00
3. Waste Disposal	\$ -	\$ 37,400.00
4. ISRA Reports and General Project Management	\$ 12,500.00	\$ 12,500.00
5. Continuous Emission Monitors (Permitting, Design, & Installation)	\$ 100,000.00	\$ -
6. Construction of New Sewer Line Permitting, Engineering, Construction	\$ 25,000.00	\$ -
7. Operational Expenses	\$ 10,000.00	\$ 10,000.00
8. Quarterly Groundwater Sampling	\$ 12,000.00	\$ 12,000.00
9. Stack Test	\$ 18,000.00	\$ -
SUBTOTAL	\$ 197,968.00	\$ 92,368.00
TOTAL FOR THE FIRST AND SECOND QUARTERS OF 1994		\$ 290,336.00

TABLE 1
COSTS FOR THIRD AND FOURTH QUARTERS OF 1994

<u>ITEM</u>	<u>COSTS</u>	
	<u>THIRD QUARTER</u>	<u>FOURTH QUARTER</u>
1. Treatment System Operation Support	\$ 6,968.00	\$ 6,968.00
2. Discharge Monitoring	\$ 13,500.00	\$ 13,500.00
3. Waste Disposal	\$ -	\$ 37,400.00
4. ISRA Reports and General Project Management	\$ 12,500.00	\$ 12,500.00
5. Continuous Emission Monitors (Permitting, Design, & Installation)	\$ -	\$ -
6. Construction of New Sewer Line Permitting, Engineering, Construction	\$ -	\$ -
7. Operational Expenses	\$ 10,000.00	\$ 10,000.00
8. Quarterly Groundwater Sampling	\$ 12,000.00	\$ 12,000.00
9. Stack Test	\$ -	\$ -
SUBTOTAL	\$ 54,968.00	\$ 92,368.00
TOTAL FOR THIRD AND FOURTH QUARTERS OF 1994		\$ 147,336.00
<u>TOTAL FOR 1994</u>		<u>\$ 437,672.00</u>

<i>Balances at December 31. (In thousands, except share data)</i>	<i>1992</i>	<i>1991</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,449	\$ 1,920
Accounts receivable	79,503	95,266
Inventories	56,201	71,306
Prepaid expenses	9,623	11,665
Net assets held for sale	3,541	24,259
Total current assets	150,617	207,449
Property, plant and equipment:		
Land	6,223	6,057
Buildings	67,906	64,527
Equipment	179,912	175,745
	253,941	246,662
Less accumulated depreciation	115,670	107,634
Net property, plant and equipment	138,271	139,028
Investments and other assets	20,630	15,579
Total assets	\$309,518	\$362,056
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities of long-term notes payable and capital leases	\$ 4,943	\$ 7,826
Notes payable	16,982	17,318
Accounts payable	20,587	28,472
Accrued liabilities	40,100	29,339
Total current liabilities	82,612	82,955
Long-term liabilities, less current maturities:		
Long-term notes payable and capital leases	95,569	121,052
Deferred liabilities	28,404	17,382
Total long-term liabilities, less current maturities	123,973	138,434
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.01 par value, authorized 20,000,000 shares, shares issued and outstanding of 7,296,000 in 1992 and 7,158,000 in 1991	73	72
Additional paid-in capital	62,292	60,932
Retained earnings	40,035	72,024
Cumulative currency translation adjustment	533	7,639
Total shareholders' equity	102,933	140,667
Total liabilities and shareholders' equity	\$309,518	\$362,056

See 1992 Annual Financial Report for consolidated financial statements, related notes and management discussion and analysis.

Consolidated Statements of Cash Flows

Years Ended December 31, (in thousands)	1992	1991	1990
Cash flows from operating activities:			
Cash flows from continuing operations:			
Income (loss) from continuing operations	\$(17,266)	\$ 4,641	\$ 2,123
Reconciliation to net cash provided by continuing operations:			
Depreciation and amortization	15,734	15,421	13,007
Provision for deferred taxes	(6,035)	2,167	2,557
Restructuring charge	22,635	—	—
Gain from settlement of interest rate swap	(1,361)	—	—
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	19,191	56	3,369
(Increase) decrease in inventories	15,105	114	(7,255)
(Increase) decrease in prepaid expenses	2,045	1,105	(1,062)
(Increase) decrease in other long-term assets	(2,076)	(5,147)	(5,712)
Increase (decrease) in accounts payable and accrued liabilities	(12,009)	(1,983)	(3,999)
Increase (decrease) in other long-term liabilities	(5,043)	(4,247)	5,563
Net cash provided by continuing operations	31,117	12,127	11,561
Net cash used by discontinued operations	(2,986)	(5,505)	(1,101)
Net cash provided by operating activities	28,131	6,622	10,760
Cash flows from investing activities:			
Capital expenditures	(17,093)	(14,728)	(23,500)
Proceeds from equipment sold	752	220	335
Investment in joint venture	(500)	(450)	—
Proceeds from disposal of discontinued operations	19,262	—	—
Proceeds from settlement of interest rate swap	1,818	—	—
Other	—	156	—
Net cash provided (used) by investing activities	4,239	(14,802)	(23,462)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	21,904	54,346	40,575
Payments of long-term debt, including current maturities	(43,801)	(43,327)	(24,979)
Repurchase of convertible debentures	(5,487)	—	(2,000)
Payments of short-term debt, net	(3,135)	(2,996)	(1,250)
Principal payments of capital lease obligations	(510)	(598)	(726)
Proceeds from issuance of common stock for employee and shareholder stock plans	1,361	965	939
Cash dividends paid	(3,155)	(3,102)	(3,075)
Net cash provided (used) by financing activities	(32,823)	5,288	9,457
Effect of exchange rate changes on cash and cash equivalents	982	130	(1,513)
Net increase (decrease) in cash and cash equivalents	529	(2,762)	(5,055)
Cash and cash equivalents at beginning of year	1,920	4,682	9,740
Cash and cash equivalents at end of year	\$ 2,449	\$ 1,920	\$ 4,652

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